

Message Text

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PAGE 01 STATE 168715
ORIGIN EB-08

INFO OCT-01 NEA-10 ISO-00 SS-15 SP-02 L-03 INR-10 H-01
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NEA/INS: JGRAHAME
-----015324 040204Z /61
R 040034Z JUL 78
FM SECSTATE WASHDC
TO AMEMBASSY NEW DELHI

C O N F I D E N T I A L STATE 168715

STADIS//////////

E.O. 11652: GDS

TAGS: EPAP, IN

SUBJECT: INDIA - TEXTILE EMBARGO

FOLLOWING IS TEXT OF STATE DEPT RESPONSE TO NSC INQUIRY
FOLLOWING UP ON PM DESAI'S MEETING WITH PRESIDENT:
BEGIN TEXT.
INDIA SAYS THAT, IN IMPLEMENTING THE COMPLICATED US/INDIAN
BILATERAL TEXTILE AGREEMENT, SOME 14 MILLION SQUARE YARDS
EQUIVALENT OF APPAREL MADE FROM HANDLOOM FABRIC WAS
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ERRONEOUSLY CERTIFIED BY INDIAN AUTHORITIES AS BEING OF
MILL-MADE FABRIC. AS A RESULT, THE QUOTA IN THE MILL-MADE
APPAREL GROUP OF THE AGREEMENT HAS BEEN PREMATURELY
FILLED, AND INDIAN MILL-MADE APPAREL IS NOW UNDER U.S.
CUSTOMS EMBARGO.

THE INDIANS HAVE URGENTLY REQUESTED THAT WE ADJUST THE
QUOTA CHARGES TO CORRECT FOR THEIR ERROR, BUT THREE OF THE
FIVE AGENCIES INVOLVED QUESTION OUR JUSTIFICATION FOR

MAKING POST-FACTO DATA CHANGES. THUS, IN RESPONSE TO THE INDIAN REQUEST, WE HAVE OFFERED TO AMEND THE AGREEMENT IN A WAY WHICH WOULD NOT ONLY RESULT IN LIFTING THE EMBARGO, BUT WOULD ALSO REMOVE SOME OF THE AGREEMENT'S EXCESSIVE COMPLEXITY WHICH MAKES IT DIFFICULT FOR BOTH PARTIES TO

ADMINISTER. IN ADDITION, THE PROPOSED AMENDMENT WOULD INCREASE INDIA'S FLEXIBILITY IN EXPORTING APPAREL. IT WOULD ALSO, HOWEVER, BLUR THE DISTINCTION BETWEEN APPAREL MADE OF HANDLOOM FABRIC AND APPAREL OF MILL-MADE FABRIC, ; DISTINCTION OF POLITICAL IMPORTANCE TO THE INDIANS. NEW DELHI'S INITIAL RESPONSE TO OUR PROPOSAL WAS NEGATIVE IN TONE, BUT THEY ARE NOW RECONSIDERING THEIR POSITION AND HAVE IMPLIED THAT A MORE FAVORABLE RESPONSE MAY SOON BE FORTHCOMING.

IF THE INDIANS ACCEPT OUR PROPOSAL, NORMAL AMENDMENT PROCEDURES COULD KEEP THE EMBARGO IN PLACE ANYWHERE FROM DAYS TO WEEKS. WE COULD PROBABLY GET INTERAGENCY AGREEMENT ON SOME AD HOC MECHANISM TO LIFT THE EMBARGO EXPEDITIOUSLY, IF NECESSARY, TO MINIMIZE THE ADVERSE IMPACT ON US IMPORTERS.

IF THE INDIANS DO NOT ACCEPT OUR PROPOSAL, OR IF NEGOTIA-
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TIONS FOR AN AMENDMENT BECOME PROTRACTED, THE MOST IMMEDIATE IMPACT WILL BE FELT BY AMERICAN IMPORTERS WHO HAVE ORDERED AND PAID FOR UP TO 10 MILLION DOLLARS IN INDIAN GOODS BEING DENIED ENTRY INTO THE US. IN THE LONGER RUN, INDIAN RELIABILITY AS AN APPAREL SUPPLIER WILL PROBABLY SUFFER. END TEXT. VANCE

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Message Attributes

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